

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED

JUN 2 4 34 PM '00

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
MAGAZINE PUBLISHERS ASSOCIATION WITNESS NELSON
(USPS/MPA-T3-1 -15)

Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to MPA witness Nelson: USPS/MPA-T3-1 - 15.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992 Fax -5402
June 2, 2000

UNITED STATES POSTAL SERVICE INTERROGATORIES TO MAGAZINE
PUBLISHERS OF AMERICA, INC. WITNESS MICHAEL NELSON

USPS/MPA-T3-1. Please list all documents including testimonies, transcripts, library references, and Commission Opinions and Recommended Decisions from the current and prior proceedings that you reviewed in preparation of your *testimony*.

USPS/MPA-T3-2. Refer to your discussion of "Stacking of Pallets" on page 18 of your testimony.

(a) Consider the following hypothetical example of two TRACS-Highway tests: one on truck A and one on truck B. Truck A and B have the same capacity. On truck A, ten pallets are on the floor, with nothing stacked on top of them, and they occupy 10% of the floor space. On truck B, ten pallets are on the floor and ten more are stacked on top of them, for a total of 20 pallets. They occupy 10% of the floor space; the same floor space as the ten pallets on truck A. Is it your understanding that TRACS-Highway will record 10% of the floor space utilization for the 10 pallets on truck A and 10% for the 20 pallets on truck B? Please explain fully.

(b) Consider the following hypothetical example of two TRACS-Amtrak tests: one on train A and one on train B. On train A, ten pallets are on the floor with nothing stacked on top of them. The data collector records that ten pallets were unloaded from the train and that zero were not on the floor (stacked). On train B, ten pallets are on the floor and ten more are stacked on top of them, for a total of twenty pallets. The data collector records that twenty pallets were

UNITED STATES POSTAL SERVICE INTERROGATORIES TO MAGAZINE
PUBLISHERS OF AMERICA, INC. WITNESS MICHAEL NELSON

unloaded from the train and that ten pallets were not on the floor (stacked).

Given a default foot print of 13 square feet per pallet, is it your understanding that TRACS-Amtrak will calculate $13 \times (10-0) = 130$ square feet for the 10 pallets on train A and $13 \times (20-10) = 130$ square feet for the 20 pallets on train B? If not, please explain how you believe TRACS-Amtrak assigns space to pallets.

USPS/MPA-T3-3. On page 5, line 14 you state that "the Postal Service has considerable latitude to alter the sizes of vehicles used on most routes in response to volume changes without adding trips."

(a) Please describe what you mean by "volume changes" in this context.

(b) Do you believe this statement to be true of

1) all postal purchased highway transportation?

2) highway transportation classified as intra-SCF for the purposes of product costing in this case?

3) highway transportation classified as inter-SCF for the purposes of product costing in this case?

4) highway transportation classified as intra-BMC for the purposes of product costing in this case?

5) highway transportation classified as inter-BMC for the purposes of product costing in this case?

UNITED STATES POSTAL SERVICE INTERROGATORIES TO MAGAZINE
PUBLISHERS OF AMERICA, INC. WITNESS MICHAEL NELSON

6) highway transportation classified as plant load for the purposes of product costing in this case?

(c) Of the types of highway contract service listed in subpart (b) above, which type of service is most likely to be able to alter vehicle size in response to volume increases? Please explain why.

(d) Of the types of highway contract service listed in subpart (b) above, which type of service is least likely to be able to alter vehicle size in response to volume increases? Please explain why.

(e) You use the phrase "alter the sizes of vehicles".

1) Do you mean on a day-to-day basis? If your answer is no, please explain.

2) To your knowledge, can a highway contractor provide a vehicle in excess of the size required by the contract? Please explain.

(f) On page 5, line 21, you state that there are "circumstances where it is not possible to add capacity without adding vehicle mileage." Please describe all such circumstances.

(g) At the bottom of page 5, you refer to witness Young's testimony in Docket No. R97-1 to demonstrate the proposition that dropping a facility from a run (such as Merrifield VA) "inherently reduces circuitry, and the gross CFM needed to move a given amount of mail."

UNITED STATES POSTAL SERVICE INTERROGATORIES TO MAGAZINE
PUBLISHERS OF AMERICA, INC. WITNESS MICHAEL NELSON

1) Please explain how you understand the mail moving between the Washington BMC and Merrifield will get to Merrifield after the stop is skipped.

2) Is it possible that another route trip can be modified or added to transport the mail from the BMC to Merrifield?

3) Is it possible that this new route trip can actually have increased CFM and circuitry?

USPS/MPA-T3-4. Please define the terms "gross CFM" and "net CFM" as you use them on page 6, line 3.

USPS/MPA-T3-5. On page 8, you refer to difficulties in using mean centered data in your model. Please explain why mean centered data cannot be used in your model.

USPS/MPA-T3-6. On page 9 you begin a discussion of Amtrak Roadrailer service, in which you state "it can reasonably be concluded that Roadrailers are not being used to divert the Postal Service volume that Amtrak already moves."

(a) Is it your understanding that the mix of mail classes and subclasses utilizing Roadrailer service is necessarily different than the mix using

UNITED STATES POSTAL SERVICE INTERROGATORIES TO MAGAZINE
PUBLISHERS OF AMERICA, INC. WITNESS MICHAEL NELSON

conventional Amtrak service because Amtrak is trying to "attract new business?"

Please explain.

(b) Is it not possible that Roadrailer service can be used to attract to Amtrak Periodicals volume that is currently carried by freight rail? Please explain.

(c) Is it not possible that Roadrailer service can be used to attract to Amtrak Periodicals mail currently carried by highway transportation? Please explain.

(d) If Roadrailer service were used exclusively to transport Periodicals mail not previously carried by Amtrak, would you agree that it would be appropriate to distribute the \$4.5 million in Roadrailer costs to Periodicals mail? Please explain any answer other than an unqualified "yes".

USPS/MPA-T3-7. On page 13, line 1 of your testimony, you state that postal purchased highway transportation requirements "are not unlike those of many shippers of high-value, expedited and just-in-time shipments...." Is it your understanding that truckers who provide transportation for expedited and just-in-time in shipments are paid less than other truckers who provide lower value service? Please explain.

UNITED STATES POSTAL SERVICE INTERROGATORIES TO MAGAZINE
PUBLISHERS OF AMERICA, INC. WITNESS MICHAEL NELSON

USPS/MPA-T3-8. Please refer to your discussion of the reduction in Test Year highway costs associated with "tightening administrative requirements".

- a) Please explain why 1/3 of the savings could be implemented in the test year.
- b) Does this 1/3 apply to FY 2000 and FY 2001 together?
- c) If the answer to part b) is yes, please indicate the savings by year.

USPS/MPA-T3-9. On page 13, beginning on line 22, you discuss changes that occur during the duration of the 4-year highway contracts in effect in FY 1998.

- a) How many mergers were completed among Class 1 railroads in the United States from 1997 through 2000?
- b) How many regularly scheduled Acela trips did Amtrak run from 1997 to 2000?
- c) Please describe how the introduction of DPS affected transportation for Periodicals.
- d) Would you agree that, in theory, one way to deal with high fuel price swings would be to allow the Postal Service to assess fuel surcharges? If not, please explain.

**UNITED STATES POSTAL SERVICE INTERROGATORIES TO MAGAZINE
PUBLISHERS OF AMERICA, INC. WITNESS MICHAEL NELSON**

USPS/MPA-T3-10. Please refer to your discussion of the "Amtrak premium", beginning on page 14. Is it your understanding that Amtrak routings are always less direct than highway routings? Please explain.

USPS/MPA-T3-11.

a) Is it your understanding that the Postal Service consolidates "LTL shipments to truckload volumes" for Amtrak movements?

b) Suppose the Postal Service hired Amtrak to do the consolidation. How would this be taken into account in your calculations? Would the postal cost you estimated be understated? Would the \$15.4 million reduction in Periodicals Amtrak costs be reduced? Please explain.

USPS/MPA-T3-12. Please refer to your discussion of Conrail costs on page 17.

a) If Conrail were to be awarded an increase for carrying mail in the test year, would you be recommend increasing Conrail-related freight rail costs in the test year? Please explain.

b) Is it your understanding that Conrail is currently seeking a reduction in its rates for carrying mail ? Please explain.

UNITED STATES POSTAL SERVICE INTERROGATORIES TO MAGAZINE
PUBLISHERS OF AMERICA, INC. WITNESS MICHAEL NELSON

USPS/MPA-T3-13. Please refer to your discussion of stacking pallets on page 18. At lines 24-25, you state that pallets "could be stacked on each other if required." [Footnote reference omitted.]

a) When you say "if required", are you considering imposing the requirement on mailers or the Postal Service? Please explain.

b) Is it your opinion that, except for the 72-inch maximum height of a pallet stack that you mention on line 24, there are no other limitations to the stacking of pallets?

c) If you believe that there are other limitations, please describe all limitations of which you are aware of with regard to stacking pallets.

USPS/MPA-T3-14. Please refer to Table 2 on page 21 of your testimony. Please provide all programs, calculations, workpapers, and documentation sufficient to understand and replicate the information shown in this table. If such information has already been provided, please provide appropriate references.

USPS/MPA-T3-15. Please refer to your estimate of the "Amtrak Premium" discussed on pages 14-16 of your testimony. Please provide all programs, calculations, workpapers, and documentation sufficient to understand and replicate the information shown in this table. If such information has already been provided, please provide appropriate references.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "E.P. Koetting", written over a horizontal line.

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992 Fax -5402
June 2, 2000